

ORTECH CORPORATION
2010 ANNUAL REPORT

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ORTECH CORPORATION 2010 ANNUAL REPORT

BACKGROUND

ORTECH was incorporated under the *Research Foundation Act* and reports to the Ministry of Economic Development (MEDT).

The ORTECH Corporation operated since the 1940s as a broadly based technical services organization that provided private sector clients and others with services related to product testing and development, analysis and evaluation, technology consulting and problem-solving in the areas of engineering and transportation, materials technologies, environment services and health services.

In 1997, the Government of the day determined that it wished to review activities of government that might be better carried out either in collaboration with the private sector or divested. During the course of 1998, the Office of Privatization reviewed ORTECH Corporation in this context.

On April 8, 1998, the Office of Privatization announced that the government would proceed with the sale of ORTECH's business assets. Following negotiations with the purchaser and after the agreement for the sale of the assets had been reached, the sale was approved by the Board of Governors on December 14, 1998. The sale of the operational assets was completed in January, 1999 to Bodycote International.

Following the completion of the sale of assets January 1999, all employees were terminated. ORTECH Corporation completely ceased operations and effectively had no assets and no employees. Although ORTECH was no longer a "going concern", the Corporation still retained a number of obligations including the settlement of lawsuits, the wind-up of the Pension Plans, and the post closing obligation to arrange for building repairs.

The Registered, Executive and Supplemental pension plans have been settled. On completion of the settlement of the Defined Contribution Component of the Plan and the action taken in accordance with the Order of the Financial Services Commission of Ontario in 2008, the Plan was terminated on April 25, 2008. KPMG conducted the final audit of this Plan in 2009.

A second pension obligation exists in the form of obligations in the Supplemental Employee Retirement Plan (SERP) that was available to senior executives of the Corporation. The discharge of this obligation requires the use of ORTECH's cash assets.

ORTECH retains assets in the form of cash and investments to allow it to discharge the obligations related to the SERP of the corporation, maintenance of records and fees

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associated with one Patent of which it retains ownership as well as other minor operating expenses. ORTECH also maintains certain Trade Mark rights to names.

Because of these obligations, it has been necessary to continue certain administrative and accounting duties.

The Corporation has not received any funding from the Government of Ontario and its only revenue is the interest earned on short-term GIC investments.

CURRENT STATUS

On March, 15, 2011, as part of the Ontario government's plan to reduce its number of agencies by 5%, it announced it would be closing or merging 14 government agencies, including the ORTECH Corporation.

As a result of this decision, MEDT's Business Planning and Finance Branch will work with the ministry's Legal Services Branch to wind-down the agency over the 2011-12 fiscal year. The wind-down process will include: identifying and notifying affected stakeholders; implementing a plan to ensure that the pensioners will continue to receive uninterrupted pension payments; addressing any legislative changes/amendments required; transferring the assets and liabilities of the Corporation into MEDT; obtaining Treasury Board/Management Board of Cabinet approval for all Order in Council (OIC) revocations; and dealing with the Trade Marks and patent.

ANALYSIS OF FINANCIAL PERFORMANCE

The financial highlights for 2010 include:

- during the fiscal year, operations reported a net income of \$49,462;
- interest on bank accounts and short-term investments is \$55,567, which is slightly higher than the prior year (\$54,260); and
- consistent with the wind-down, the Pension Obligation was reduced by \$58,823 during the year through monthly payments to specific individuals.

The Financial Statements of the Corporation are not audited.

BUSINESS ACTIVITIES

The principal business activities of the Corporation during 2010 related to the payment of obligations related to the SERP, maintenance of records and fees associated with one Patent of which it retains ownership as well as other minor operating expenses.

LIEUTENANT GOVERNOR IN COUNCIL

Date: August 17, 2011

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BOARD OF GOVERNORS (As of Jan. 19/11)

Name	Appointment Expires
Robert Burns	April 13, 2013
David Clifford	July 22, 2013
Lynn Goudie	January 18, 2016
Susan Snelgrove	July 22, 2013
Keith West	April 13, 2013
Jan Yousef	January 18, 2016

Financial Statements of

ORTECH CORPORATION

for the year ended December 31, 2010

(Unaudited)

ORTECH CORPORATION

Notes to the Financial Statements For the Year Ended December 31, 2010

1. General

The Corporation was incorporated under the Research Foundation Act, 1944 and operates under the name ORTECH.

In January 1997, the Province of Ontario (the "Province") announced that the Corporation would be considered as a candidate for privatization as a means of providing improved continuity for operations in the private sector.

On February 6, 1998, the Corporation entered into a Privatization Transition Agreement, whereby the Province provided funds for the restructuring charges and funding for the continued operations.

The restructuring resulted in only a partial wind-up of the Corporation's registered pension plan.

In April 1998, the Province announced that it was prepared to sell the Corporation. Effective January 15, 1999, the assets of ORTECH were sold to a consortium of three parties.

The Registered, Executive and Supplemental pension plans settled and the Plans have been deregistered by the Financial Services Commission of Ontario.

There is a remaining post retirement obligation to former employees of the Corporation in the nature of a pension, but not a registered one. These are the Supplemental Executive Retirement Plan (SERP) top up payments. The payments are administered by a payroll service provider and the monthly costs are deducted from the operating bank account.

Since all pension plans were in the process of being wound down, the Province continued to support the Corporation by providing staff to record and monitor the activities of the private pension plan managers.

2. Basis of Presentation

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

3. Significant accounting policy

In the preparation of these financial statements management has had to make estimates and assumptions that affect the amounts recorded. Actual results could differ from these estimates.

ORTECH CORPORATION

Notes to the Financial Statements For the Year Ended December 31, 2010

4. Pension Obligation

An estimated provision for the liability to the Corporation's obligations to former employees arising from post employment retirement entitlements was established as a Pension Obligation. This amount is being reduced by way of monthly payments to specific individuals from the ORTECH Corporation's CIBC operating bank account.

Due to the cost of annually establishing a new actuarial estimate of the provision for the Pension Obligation, the original amount stated in the year 2000 has not been updated for this year.

5. Residual Corporate Matters

Although ORTECH is no longer a "going concern", the Corporation retains cash and investments with the CIBC bank, together with Trade Marks and one Patent.

ORTECH holds a number of records. In general, these records include historic employee records that are required to be kept for 50 years, litigation records, records pertaining to specific files on intellectual property, some scientific records and some financial records. In total approximately the equivalent of 200 bankers boxes were maintained from the pre sale collection. These records will have to be preserved and maintained.

6. Province of Ontario

The Corporation received no funding from the Province for operations during the current year.

Unaudited

ORTECH CORPORATION

**Balance Sheet
As at December 31, 2010**

	Dec. 31 2010 \$	Dec. 31 2009 \$
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ASSETS		
Current Assets		
Cash	104,624	174,173
Investments	1,752,420	1,752,186
Accounts Receivable - Interest	100,895	45,561
Prepaid Expenses - Storage	3,663	-
Total assets	1,961,602	1,971,920
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LIABILITIES		
Current Liabilities		
Accounts payable and GST	(1,675)	(718)
Long-term Liabilities		
Pension Obligation [note 4]	952,097	1,010,920
	950,422	1,010,202
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EQUITY		
Capital Contributions	3,363,100	3,363,100
Retained Earnings (loss)	(2,351,920)	(2,401,382)
	1,011,180	961,718
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	1,961,602	1,971,920
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See accompanying notes to financial statements.

For the Corporation:

Governor

Governor

Unaudited

ORTECH CORPORATION

**Statement of Operations
for the Year Ended December 31, 2010**

	Dec. 31 2010 \$	Dec. 31 2009 \$
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INTEREST & INVESTMENT INCOME		
Interest on GIC investments	55,567	54,042
Miscellaneous income	-	218
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Investment interest & other income	55,567	54,260
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OPERATING EXPENSES		
Accounting and audit fees	-	5,250
Consulting and legal fees	710	710
Office supplies & miscellaneous expenses	1,117	1,414
Storage Fees	4,278	5,695
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Operating Expenses	6,105	13,069
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Net income	49,462	41,191

Unaudited

ORTECH CORPORATION

**Statement of Investment
As at December 31, 2010**

	Dec. 31 2010 \$	Dec. 31 2009 \$
Investment, beginning of year		
Capital Contributions	3,363,100	3,363,100
Opening Retained Earnings (loss)	(2,401,382)	(2,442,573)
	<u>961,718</u>	<u>920,527</u>
 Operating Income	 49,462	 41,191
 Investment, end of year		
Capital Contributions	3,363,100	3,363,100
Retained Earnings (loss), end of year	(2,351,920)	(2,401,382)
	<u>1,011,180</u>	<u>961,718</u>